

# Discussion Paper

## Technology Services Procurement Review

October 2019

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## Introduction

The Department of Treasury and Finance is reviewing the existing procurement arrangements for technology services administered by Treasury.

The review asks whether Treasury's current procurement processes for technology services:

- reflect the principles of transparency, impartiality and effectiveness that underpin Tasmania's procurement framework;
- are flexible, so new technology services can be efficiently deployed by agencies; and
- are easily understood and used by suppliers and buyers.

The focus of the review is the operation and potential alternatives to the:

- Government Information Technology Conditions (GITC); and
- ICT Professional Services Panel.

We are seeking your feedback about our proposals. The final section of this paper includes a set of questions for you to consider.

## Procurement Simplification

The Tasmanian procurement policy framework requires buyers to act ethically and apply appropriate standards. This ensures procurement processes and purchasing decisions are consistent with public expectations, ensure appropriate expenditure of taxpayer money, can withstand scrutiny and that suppliers are treated fairly.

Undertaking effective procurement is not always about finding the cheapest option in the quickest time. Effective procurement aims to find value for money in a way that is transparent, accountable, fair and timely.

Some suppliers have said that current procurement processes for technology services are overly complex, making it harder for buyers and sellers to efficiently contract. There is a risk that overly complex processes can undermine principles of effectiveness and transparency. Streamlining and simplifying procurement processes will assist both buyers and suppliers to understand and operate within the framework which supports ethical Government procurement.

The review is part of broader efforts to simply procurement. Earlier this year, to simplify administrative processes for agencies, Treasury reviewed procurement policy guidelines and Treasurer's Instructions issued under the *Financial Management Act 2016*. The number of Treasurer's Instructions was reduced from 64 to 15.

The technology processes discussed in this paper sit within the rules established by Treasurer's Instructions. A further review of the Treasurer's Instructions is beyond the scope of this review.

# Procurement principles

In Tasmania, purchasing decisions must reflect the following principles:

- value for money;
- open, impartial and effective competition;
- providing opportunities to local suppliers; and
- observation of ethical procurement standards.

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## VALUE FOR MONEY

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Value for money means achieving the desired outcome at the best possible price by weighing up the benefits of the purchase against the cost of the purchase. It does not necessarily mean purchasing the cheapest product.

Value for money considerations include financial and non-financial costs and benefits, including quality, fitness for purpose, flexibility, whole of life costs and other risks.

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## OPEN, IMPARTIAL AND EFFECTIVE COMPETITION

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Open, impartial and effective competition in the procurement process encourages competitive offers and ensures that suppliers and the public can have confidence in the procurement.

Agencies should:

- adequately test the market using an appropriate process based on value, type, the market and risk;
- use transparent and appropriate purchasing processes;
- avoid biased specifications; and
- treat all suppliers consistently and equitably.

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## PROVIDING OPPORTUNITIES TO LOCAL SUPPLIERS

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Procurement activities should be carried out in a manner that enhances the opportunity for local suppliers of goods and services to bid for Government business.

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## OBSERVATION OF ETHICAL PROCUREMENT STANDARDS

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Procurement should be fair and unbiased. Buyers should ensure that decisions are not motivated by self-interest and that there is accountability for purchasing practices and decisions.

# Government Information Technology Conditions (GITC)

First established in 1991 the Government Information Technology Conditions (GITC) is a national framework of standard legal documentation that was developed in cooperation with industry representatives and government. The GITC was designed to assist government buyers and industry suppliers to develop contracts for the supply of information technology products and services in the most efficient and effective manner. GITC version 2 was subsequently released in 1995, which is the version currently used in Tasmania.

Other State governments and the Commonwealth have since moved to either newer versions of the GITC, Procure IT or bespoke contract arrangements.

## Current Practice

In Tasmania, agencies entering into contracts for the supply of ICT goods and services must use the GITC Head Agreement.<sup>1</sup>

The Head Agreement is the overarching agreement between the supplier and the Crown in the Right of Tasmania. The only exceptions to this requirement are for contracts for:

- hardware purchased under the mandatory panel established under the C150 Contract; and
- software acquisitions which do not involve any on-site service component.

The GITC contract consists of:

- the [GITC Head Agreement](#) between the Crown and an ICT company (organised by Treasury and containing general terms and conditions); and
- the GITC [Purchase Orders](#) which are the individual purchase orders between an agency and an ICT company (organised by agencies and containing specific requirements) for goods and services orders.

Suppliers seeking accreditation under the GITC fill out the [Supplier Accreditation Application Form](#) for assessment by Treasury.

The overall objective of the GITC is to create a consistent form of dealing with ICT suppliers by means of standard contractual documentation. Historically, the GITC has provided significant benefits as it removes the requirement to establish customised contracts each time a procurement is undertaken. In turn, this saves time and money for both agencies and suppliers.

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<sup>1</sup> Treasurer's Instruction PP-3 *Procurement Processes - Goods and Services Procurement*, clause 3.27.

## Is it time for a new set of contract terms to replace the GITC?

The existing GITC does not expressly cater for cloud based services or emerging technologies. Amendments are often required (through 'special conditions' added to official orders) that can result in lengthy time for contract negotiation.

There are benefits to a consistent approach to establishing contract terms with the Government in relation to the provision of ICT products and services. The absence of the GITC or standard Government ICT contract terms would increase negotiation of individual contracts, increasing the administrative burden on agencies and suppliers in relation to ICT procurement.

Treasury is considering replacing the current GITC with an alternative set of terms, that aims to simplify contract negotiation and account for cloud based services and emerging technologies.

# ICT Professional Services Panel

## What is a panel?

Governments establish panels to streamline procurement. A panel is an arrangement where a number of suppliers are contracted to supply goods or services to an agency. A panel is usually established following an open approach to the market and a competitive evaluation process.

Once established, panels establish efficiencies for Government. They are usually established to allow for multiple purchases of a similar good or service over a defined period. Once established, a panel simplifies the subsequent process for the purchase of the goods and services covered by the panel. Agencies can purchase directly from the established panel, without testing the broader market. However, there is no guarantee that a supplier on a panel will be called upon to supply the goods or services.

New suppliers are not able to be added to the panel during the contract period.

## ICT Professional Services Panel

Treasury established the whole of government ICT Professional Services Panel, which came into effect on 1 October 2017.

There are currently 64 companies included on the panel. The term of the current panel contract expires on 30 June 2021 and an additional two-year extension option is possible.

The aim of the panel is to streamline procurement processes for both agencies and service providers. Agencies can invite offers directly from the 64 members of the panel to procure small to medium sized ICT services valued between \$50 000 and \$250 000, without undertaking a quotation process.

Given the non-mandatory nature of the panel, agencies can purchase ICT services by undertaking procurement in accordance with the standard procurement processes as set out in the Treasurer's Instructions.

The panel includes the following ICT software and service categories:

- Business Analysis;
- Application Development Services;
- Infrastructure Technical Services;
- Operational Services;
- Security Services; and
- Project Management.

The GITC is the contractual framework underpinning the ICT Professional Services Panel. All panel members hold a GITC Head Agreement and agencies place GITC Orders when procuring from the panel.

## Future Options - ICT Professional Services Panel

The next contract renewal date for the ICT Professional Services Panel is 30 June 2021. Before the contract renewal date, Treasury is considering options to ensure that panel arrangements for

ICT professional services procurements are streamlined and responsive to supplier and agency needs.

Recommendations arising from the review may inform the structure of panel arrangements following the next renewal date.

Treasury has considered two options as alternatives to the current ICT Professional Services Panel:

1. A mandatory panel.
2. A centralised multi-use list/prequalification scheme.

### A mandatory panel

One option is to re-establish the panel as a mandatory whole of government contract where agencies must use the panel to purchase the required software or services.

Advantages:

- Being mandatory it would provide greater certainty to buyers and sellers.
- Streamlines the agency procurement process for purchases, to a value determined at the time of establishing the panel.

Disadvantages:

- A mandatory panel would not afford the opportunity to receive and consider offers from suppliers not included on the established panel.
- Emerging suppliers and new industry participants are unable to join the panel until a formal tender process is undertaken to re-establish the panel.
- Removes flexibility for agencies.

### A multi-use list

A multi-use list is a list of pre-approved suppliers of specified goods and services. Once a supplier is qualified to be on the list, agencies can purchase goods or services from the pre-qualified suppliers. A multi-use list does not involve the assessment of value for money or the capability of a supplier to undertake a particular project. Rather it qualifies suppliers for future government buying opportunities, and streamlines part of any subsequent procurement of goods or services from suppliers on the list.

A multi-use list can accommodate changes in market participants as new suppliers can apply for registration at any time. A multi-use list provides flexibility and enables agencies to easily identify suppliers that meet certain conditions and have been assessed as having specific expertise.

To be added to a multi-use list, suppliers may undergo an assessment of regulatory, financial and technical capability to perform work for Tasmanian government agencies.

Once a supplier is qualified for inclusion on the multi-use list, agencies approach suppliers using the market approaches set out in the Treasurer's Instructions.

Advantages:

- Provides for a prequalification process.
- Allows suppliers to apply for registration at any time, so it is more responsive to changes in market conditions.
- Provides the flexibility to capture emerging technology and suppliers.
- Individual procurements are more competitive potentially leading to better value for money outcomes.
- Allows agencies the flexibility to use a variety of procurement process, dependent on requirements.

- Once established the multi-use list can potentially streamline subsequent procurement processes.

#### Disadvantages

- More administrative effort from agencies (compared to a panel) for individual procurements.
- Some additional administrative effort for suppliers in responding to individual procurements from the list.
- There is ongoing maintenance of the list and assessing registrants against any pre-qualification criteria.

# Your feedback

We welcome your feedback on Treasury's proposals or any alternatives to update existing processes for procurement of technology services.

We request your written feedback by Friday 29 November 2019 either by email or mail to:

**Email** [purchasing@treasury.tas.gov.au](mailto:purchasing@treasury.tas.gov.au)

**Post** Procurement Policy Unit  
Department of Treasury and Finance  
GPO Box 147  
Hobart TAS 7001

## Questions

Do you support replacing the Government Information Technology Conditions with an alternative set of contract terms?

Do you support changes to the ICT Professional Services Panel?

Do you have any comments or suggestions about replacing the ICT Professional Services Panel with a multi-use list arrangement?

Do you have any other comments about the procurement of technology services by the Tasmanian Government?